



United States
Department of
Agriculture

Farm Service Agency

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Fact Sheet

Emergency Loan Assistance

Montana State Producer Handbook



Overview

USDA's Farm Service Agency (FSA) provides Emergency Loans (EM) to help producers recover from production and physical losses due to drought, flooding, quarantine or other natural disasters. Only counties declared as disaster areas by the President or designated by the Secretary of Agriculture are eligible for EM assistance. For physical losses, the FSA Administrator may authorize EM assistance.

Loan Uses

Emergency loan funds may be used to:

- Restore or replace essential property;
- Pay all or part of production costs associated with the disaster year;
- Pay essential family living expenses;
- Reorganize the farming operation; and
- Refinance certain debts.

Eligibility

Emergency loans may be made to farmers and ranchers who:

- Are established family farm operators and have sufficient farming or ranching experience;
- Are citizens or permanent residents of the United States;
- Have suffered at least a 30-percent loss in crop

production based on the previous 3-year crop average;

- A substantial loss to livestock, livestock products, real estate, or chattel property;
- Have an acceptable credit history;
- Are unable to receive credit from commercial sources;
- Can provide collateral to secure the loan;
- Have repayment ability;
- Applicant must demonstrate the intent to continue the farm operation after the disaster.

Loan Requirements

FSA loan requirements are different from those of other lenders. Some of the more significant differences are the following:

- Borrowers must keep acceptable farm records;
- Borrowers must operate in accordance with a farm plan they develop and agree to with local FSA; and
- Borrowers may be required to participate in a financial management-training program and obtain crop insurance.

Collateral

All emergency loans must be fully collateralized. The specific type of collateral may vary depending on the loan purpose, repayment ability and the individual circumstances of the applicant. If applicants cannot provide

adequate collateral, their repayment ability may be considered as collateral to secure the loan. A first lien is required on property or products acquired, produced, or refinanced with loan funds.

Loan Limit

Producers can borrow up to 100 percent of actual production or physical losses, to a maximum amount of \$500,000.

Loan Terms

Loans for crop, livestock, and non-real estate losses are normally repaid within 1 to 7 years; depending on the loan purpose, repayment ability, and collateral available as loan security. In special circumstances, terms of up to 20 years may be authorized. Loans for physical losses to real estate are normally repaid within 30 years. In certain circumstances, repayment may be made over a maximum of 40 years.

Interest Rate

The current annual interest rate for emergency loans is 3.75 percent.

Application Deadline

Applications for emergency loans must be received within 8 months of the county's disaster or quarantine designation date.

Temporary Assistance

Borrowers who receive temporary assistance are expected to return to conventional credit sources.

Emergency loans are a temporary source of credit, and borrowers are reviewed periodically to determine whether they can return to commercial credit.

How to Apply for an Emergency Loan

If a producer is applying for an emergency loan based on losses in an area that has been designated an agriculture disaster, he/she should fill out the following forms:

- Form FmHA 1945-22
"Certification of Disaster Losses"; and
- Form FmHA 1940-38
"Request for Lender's Verification of Loan Application."

Actual Production History (APH) yields for the past five years must be established by a producer's crop insurance company and will be used to calculate losses. If APH yields are not available, three years of production history will be used.

For Additional Information

Additional information may be obtained at local FSA offices or through the Montana FSA Web site at: www.fsa.usda.gov/mt

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